

# Submission to the Victorian Renewable Energy Auction Scheme Consultation

*Community Power Agency, Solar Citizens, GetUp, SolarShare, Moreland Community Solar, Yarra Community Solar & the Central Victorian Greenhouse Alliance*

## Executive Summary

Thank you for the opportunity to provide a submission to the Victorian Renewable Energy Auction Scheme Consultation. We would like to congratulate the Victorian Government on its leadership in setting an ambitious, but achievable 40% renewable energy target for the state by 2025 and the interim 25% by 2020 target.

This submission is supported by Community Power Agency, Solar Citizens, GetUp, SolarShare, Moreland Community Solar, Yarra Community Solar and the Central Victorian Greenhouse Alliance.

This submission has a dual focus:

- Firstly how the Victorian Renewable Energy Auction Scheme and wider 40% target can stimulate the development of a vibrant community energy sector in Victoria; and
- Secondly, how the Scheme and Target can be structured as a stepping stone to 100% renewable energy.

This submission is structured around two main questions:

- What should the 40% Victorian Renewable Energy Target (VRET) deliver?
- How should the 40% VRET be delivered?

### **What should the 40% Victorian Renewable Energy Target deliver?**

Our recommendation is that the policies underpinning the 40% VRET deliver the following outcomes:

- At least 5400MW of renewable energy capacity, the majority of which will be from large-scale wind and solar
- A culture and practice change within the large-scale renewables industry towards better community engagement and benefit sharing
- Jobs for Victoria and renewable industry development along the full supply chain
- Community renewable energy projects that bring added economic and social benefits to communities and households across Victoria
- Projects that stimulate and build knowledge and capacity in other parts of the renewables industry that will be essential to a reliable, clean, 100% renewable energy system, specifically mid-scale renewables and flexible, dispatchable renewable energy solutions; and
- A just transition for communities and affected workers in the Latrobe Valley.



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## How should the 40% Victorian Renewable Energy Target be delivered?

In this section we:

- Outline our suggestions on how the primary policy mechanism underpinning the VRET - a reverse auction/contracts for difference program - can best be structured to deliver the outcomes identified above; and
- Build a case for complementary policy mechanisms to stimulate the development of a community and mid-scale renewable energy sector, which we believe should be part of the energy mix in delivering the VRET.

### Auction selection criteria

We support the Victorian Government's plan to include non-cost-based selection criteria in the renewable auction scheme design. Specifically we welcome the inclusion of the economic development, and community engagement and benefit sharing selection criteria. Our experience from involvement in the ACT Auction process shows that even a relatively small weighting of 20% for the community engagement criteria has encouraged practice within the renewables industry. However, the advancement in community engagement and particularly benefit sharing practices is yet to occur at the scale or depth that Victoria is likely to need. Thus we suggest:

- Giving a weighting of at least 20% for the community engagement criteria and that it not be listed last
- Setting minimum expectations, and expectations of what additional engagement and benefit sharing would be viewed favourably
- Establishing evaluation metrics for this criteria which include but are not limited to diversity and regularity of engagement, local partnerships, evidence of support and more
- Having sufficient community engagement expertise on the review committee
- Providing feedback to all applicants and providing them with a ranking of how they performed relative to the cohort; and
- Undertaking a widespread public education campaign and the establishment of a Community Powerhouses or Regional Clean Energy style program.

### Carve-outs for community renewables and dispatchable renewables

We highly recommend that the Victorian Government carve-out two additional tranches of the VRET targeting:

1. Community renewable energy projects; and
2. Flexible and dispatchable renewable solutions

A 5-10% carve-out that could be part of, or additional to the 5400MW target for each of these sub-sections of the renewable energy industry we believe is key to delivering the outcomes identified above. In particular, we note the success of Scotland's 500MW community energy target that was achieved five years ahead of schedule.

### Developing special measures to support community and mid-scale renewables

We fully support the reverse auctions policy mechanism as the main way to deliver the VRET. Reverse auctions are an extremely efficient and cost effective way of deploying large-scale renewable energy. However, we would like to alert the government to the need to consider the nature of community energy, small business and agricultural/farm-scale renewables projects and to assess if reverse auctions are best able to support this form of development.

Internationally, there is a trend away from mass-market mechanisms towards reverse auctions as the sole policy mechanism driving renewables. A lack of a well-balanced renewable energy policy package to complement reverse auctions has had the effect of locking out a range of actors including



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small business, communities, local government, property developers and farmers. This is proving problematic as these actors have played a critical role in the success of the renewable energy industry worldwide, particularly because they help facilitate wide-scale, active public support.

There are a range of factors that contribute to this lock-out of smaller renewable energy actors. These include:

- Participating in government tender processes, and winning, requires significant expertise and access to large reserves of capital, which smaller actors do not have to the same degree as larger actors
- A mismatch between government expectations associated with the political risk profile of a community energy project versus the expectations and needs of community energy proponents
- Auctions are predicated on competition, whereas community and smaller actors benefit from collaboration; and
- Tender processes add to project costs. While these are offset by other savings in larger projects, the same is unlikely to be true for mid-scale renewable energy projects.

This analysis draws on international research and experience of the ACT Government's Community Solar Initiative.

As such, we propose that the Victorian Government work with the community energy sector to collaboratively design a policy mechanism complementary to the auction process to deliver the 5-10% carve-out for community energy. This policy mechanism should:

- Encourage collaboration
- Be simple to administer, with clear and objective success criteria
- Minimise political risk through not requiring ministerial or departmental sign-off on every eligible project
- Enable projects over a broad range of sizes; and
- Be tailored to value and deliver the multiple benefits associated with community energy particularly the social benefits, in addition to environmental, technical and economic benefits.

This could be delivered by a straightforward community feed-in tariff, perhaps capped annually, with eligibility requirements, though there may be a more appropriate policy design and we would be happy to help in its development.



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## 1. Introduction

Thank you for the opportunity to provide a submission to the Victorian Renewable Energy Auction Scheme Consultation. We would like to congratulate the Victorian Government on its leadership in setting an ambitious, but achievable 40% renewable energy target for the state by 2025.

### 1.1 About the organisations

This submission is made by the following organisations:

- [Community Power Agency](#) (CPA) was established to grow a vibrant community energy sector in Australia. Since founding in 2011, CPA has worked with and researched over 60 community energy groups across Australia and internationally. We have significant experience in policy design and implementation to stimulate community energy. Examples include helping the NSW Government design their community energy policy, being part of the development of the National Community Energy Strategy and playing a review and assessment role in all of the ACT Government's Reverse Auctions.
- [Solar Citizens](#) is an independent community based organisation working to protect and grow solar in Australia. We advocate for the rights of more than 5 million solar owners and the millions more who wish to go solar and for the orderly transition to 100% clean, renewable sources of power.
- [Getup](#) is an independent movement to build a progressive Australia and bring participation back into our democracy. We envisage a fair, flourishing and just Australia powered by 100% renewable energy.
- [SolarShare](#) is an innovative social enterprise that allows the Canberra community to invest in and co-own a local solar farm. Our members gain a connection to others in their community, a connection to investment in local infrastructure, and connection to how renewable energy is generated. All while making a sustainable investment with a financial return.
- [Yarra Community Solar](#) is a cooperative that has its origins in the City of Yarra. Its primary objective is to develop solar energy projects utilising funds invested by the community in solar installations that are used by businesses and other organisations. Yarra Community Solar is seeking to mobilise local community involvement and interest in renewable energy in order to reduce carbon emissions. Recently they were a party in a successful application for monies from the New Energy Jobs Fund. That application will see the development of tools (website, legal documents, workshops) that can be used by any community group in the implementation of their community energy business model.
- [Moreland Community Solar Co-operative](#) – MCS was established in 2014 with the aim of supporting Moreland City Council's plan to reduce carbon emissions within the municipality. Since then we have been busy undertaking all the necessary start-up activities required to establish the first community-owned solar project in Moreland.
- The [Central Victoria Greenhouse Alliance](#) represents a partnership of 13 local governments who have chosen to work together to help our region grow and thrive in a rapidly changing climate. Our members include Swan Hill Rural City Council, Gannawarra Shire Council, Buloke Shire Council, Loddon Shire Council, City of Greater Bendigo, Mount Alexander Shire Council, Macedon Ranges Shire Council, Hepburn Shire Council, City of Ballarat, Pyrenees Shire Council, Ararat Shire Council, Northern Grampians Shire Council, Central Goldfields Shire Council.



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This submission draws heavily from the renewable policy and energy market experience that underpin the Homegrown Power Plan. The Homegrown Power Plan (attached as Appendix A to this submission) sets out a policy roadmap for Australia to transition to 100% renewable electricity.

## 1.2 Submission focus

This submission has a dual focus:

- How the Victorian Renewable Energy Auction Scheme ('the Scheme') and wider 40% target can stimulate the development of a vibrant community energy sector in Victoria, and
- How the Scheme and Target can be structured as a stepping-stone to 100% renewable energy.

We note that the primary mechanism of an auction process, likely using contracts for difference, has been identified and is the main focus of consultation. However, since there has not yet been a chance to input on the more fundamental question of what the VRET should deliver, we have included comment on this too.

To this end, this submission is structured around two main questions:

- What should the 40% Victorian Renewable Energy Target deliver?
- How should the 40% Victorian Renewable Energy Target be delivered?

## 2. What should the 40% Victorian Renewable Energy Target deliver?

### 2.1 A stepping-stone to 100% renewable energy

The 40% Victorian Renewable Energy Target should be thought of as a stepping-stone to a full transition to a Victoria powered by 100% renewable electricity, as the Victorian Government commitment to full decarbonisation by 2050 implies. There is no doubt that large-scale solar and wind projects will contribute most of the capacity to both a 40% and a 100% renewable energy target. Community Power Agency thus supports the fact that the majority of the Scheme design is focused on delivering these outcomes.

However, we strongly believe that focusing *solely* on large-scale wind and solar to deliver the VRET is a mistake for several reasons. Firstly, doing so means that the low-hanging fruit of wind and solar is delivered by 2025, but the other sections of the renewable energy sector remain immature and are thus unlikely to be able to ramp-up quickly, as needed post-2025. Secondly, this will not necessarily deliver the social conditions of support required to reach a full decarbonisation target. In fact, social acceptance issues could even impede the 40% by 2025 target if social aspects are not carefully accounted for. It is here we see a particular role for community renewable energy.

Further, we note that the consultation slides state that other policy mechanisms are in place to stimulate the development of other renewable energy technologies and scales. However, we do not see this statement adequately reflected in government plans to date.

### 2.2 Community energy

The Victorian Government has, on a number of occasions, stated its commitment to community energy. Community energy projects bring a range of benefits to Victoria. Benefits include, but are not limited to:

- Environmental benefits, not only through reduced greenhouse emissions, but also through greater engagement of community participants with energy issues and environmental values.



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- Securing new sources of funding: the community investor. The Coalition for Community Energy reports that \$23 million in community funding for energy infrastructure has been secured in the development and delivery of community energy projects to date in Australia.
- Increasing public support for the renewable energy industry more broadly.
- Delivering (often local) sustainable employment, education and training opportunities. Supporting regional communities and fostering local economic development.
- Creating steady income streams to fund community development projects over the 25+ year time horizons.
- Creating a community-led response to managing electricity price rises.<sup>1</sup>

It is critical that community energy is part of delivering Victoria's renewable energy target and that the policies implemented support the development of the community energy sector.

### 2.3 Mid-scale renewable energy

In Australia, renewable energy policy has always focused on two ends of the scale spectrum: large-scale or small-scale. Subsequently, operational business models have developed for these two extremes and we now have an industry that can successfully deliver renewables at these scales. However, there are many orders of magnitude between a 2.5kW household solar system and a 100MW wind-farm. If we are to ultimately reach 100% renewables we will need renewable energy deployment at multiple scales. As such, it is important that Victoria both drive energy market reform and put in place policy levers to stimulate the development of a mid-scale renewable energy market between now and 2025.

### 2.4 Flexible and dispatchable renewables<sup>2</sup>

As we outline in the Homegrown Power Plan, a 100% renewable electricity system will require a portfolio of different technologies powered by different renewable energy resources. ISF's modelling,<sup>3</sup> along with that undertaken by AEMO,<sup>4</sup> UNSW<sup>5</sup> and others, shows that solar PV and wind, the cheapest renewable technologies available right now, will supply the majority of Australia's electricity under 100% renewable scenarios (and also under less ambitious scenarios) and as such it is appropriate that they are the major focus of the VRET. But other technologies are also needed to get the job done and these should also be supported under the VRET.

The Australian energy market and others around the world are in the midst of a paradigm shift from a system based on baseload and peakload generation to one based on variable and dispatchable generation (Figure 1).

**Figure 1: A paradigm shift<sup>6</sup>**

<sup>1</sup> National Community Energy Strategy - <http://c4ce.net.au/nces>

<sup>2</sup> This section is adapted from the Homegrown Power Plan - see Appendix A

<sup>3</sup> Teske, S. *et al*, (2016) 'Decarbonising Australia's Energy Sector within one generation', Institute for Sustainable Futures, UTS

<sup>4</sup> AEMO (2013) '100 per cent renewables study - Modelling outcomes', AEMO

<sup>5</sup> Elliston, B., Diesendorf, M. and McGill, I. (2012) 'Simulation modeling of 100% renewable energy in the Australian national electricity market', University of New South Wales.

<sup>6</sup> <http://ceem.unsw.edu.au/sites/default/files/documents/100pc%20RE%20-%20Research%20Summary-2016-03-02a.pdf>



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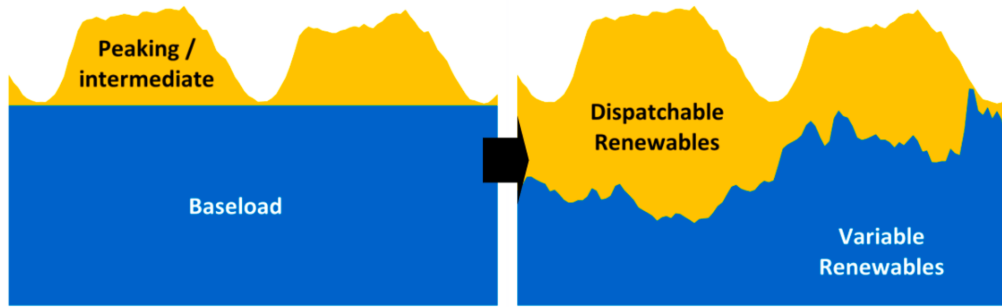


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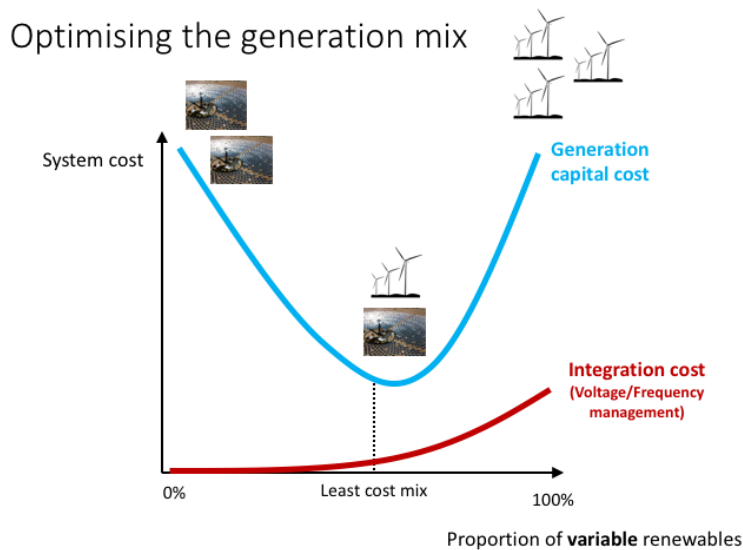
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Wind and solar PV are the key examples of variable but predictable renewables and dispatchable solutions include a wide range of technologies such as bioenergy and concentrating solar thermal with storage, pumped hydro, other forms of storage and even flexible demand. Experience from places like Denmark, Germany and South Australia show that it is possible to get to very high proportions of variable renewables without additional action.<sup>7</sup> But once a certain percentage is reached (a percentage that varies depending on location, the state of the grid, and so on) dispatchable renewables are needed to balance the load and ensure that supply is reliable around the clock.

**Figure 2: Optimising the Electricity Generation Mix<sup>8</sup>**



Research from UNSW (illustrated in Figure 2) shows that a least-cost energy system powered by renewables includes a mixture of variable and dispatchable sources. If the system is skewed towards mostly dispatchable renewables (left of the graph), this sees high generation costs as the technologies are more expensive. If the system is skewed towards 100% variable renewables (right of the graph) it requires much more capacity to be installed across larger areas and there are greater grid integration costs. The right mix of both dispatchable and variable renewables leads to a

least-cost outcome across the system.

<sup>7</sup> Parkinson, G. (2016) 'South Australia's energy price hikes: Blame inflated bills, not renewables' RenewEconomy, March 10; and 'Wind energy not to blame for South Australia power outage' RenewEconomy, March 4

<sup>8</sup> <http://ceem.unsw.edu.au/sites/default/files/documents/100pc%20RE%20-%20Research%20Summary-2016-03-02a.pdf>

While Victoria is not yet at a point of high-penetration renewables, Victoria does have a role to play in stimulating the development of a dispatchable renewables industry and market as part of delivering its 40% target and in so doing helping to drive these dispatchable energy solutions down the cost-curve. This is particularly important in light of the recent scare-campaign around security and reliability of supply in South Australia which falsely framed renewable energy for South Australia's recent price spikes<sup>9</sup>.

### 2.5 Culture and practice change towards better community engagement and benefit sharing

Public support for renewable energy is essential for the smooth, timely delivery of projects. Victoria is currently coming out of a period in which wind energy has faced both policy and advocacy challenges. The presence of small but vocal, well-connected and well-financed anti-wind lobby groups has damaged the reputation of the wind energy and this has contributed to the presence of some apprehension and misconception about wind technology. The introduction of the VC82 legislation, including the former 2km right of veto and no-go zones by the former government communicated to the public that wind energy technology is something to be wary of. Given wind is currently the cheapest form of renewable energy, careful mediation of the relationship between the public and wind energy development will be essential to the VRET.

We believe this situation can be addressed through a conscious culture and practice change process in which government, industry and NGOs all participate. This requires creating conditions that will generate widespread social support for wind and other renewable energy development. We see the keys to generating conditions of social support as being:

- Quality community engagement
- Appropriate benefit sharing
- Increased education and understanding (and dispelling myths)

Public support for renewables is more complex than simply assuming everyone will be on board because it is good for the environment. When people are faced with significant changes in their familiar and loved landscape, there is a need to manage that change with sensitivity (hence quality community engagement) and to ensure there are also local benefits. In the right conditions, the public will become the best advocates for renewable energy and will drive the change.

Creating a general Victoria-wide context in which renewable energy is better understood and in which all people have more opportunities to interact with and benefit from renewable energy will be essential.

We do ongoing research to better understand the dynamics between social responses and renewable energy development and how to best ensure positive outcomes. We are presently leading a research program along with the Clean Energy Council and Embark. We would be happy to further advise on these issues if desired.

### 2.6 Jobs & supply chain value for Victoria

We believe this policy should help to deliver flow on and multiplier benefits for Victoria in the form of job creation and economic activity. Victoria stands to benefit from a holistic approach to developing supply chain opportunities to benefit from the transition to renewable energy. This includes creating

<sup>9</sup> Mountain, B. (2016) 'South Australia's wholesale electricity market: what really happened in July 2016?', Accessible at [https://d68ej2dhhub09.cloudfront.net/1881-South Australia's wholesale electricity market Bruce Mountain FINAL.pdf](https://d68ej2dhhub09.cloudfront.net/1881-South%20Australia's%20wholesale%20electricity%20market%20Bruce%20Mountain%20FINAL.pdf)



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capacity and preparedness to participate in renewable energy transitions in the education, training, manufacturing, transport, service industries and more.

### 2.7 A just transition for affected workers and communities

Meeting Victoria's 40% Renewable Target will likely involve the shutdown of at least one coal-fired power station. As such, a carefully managed phase-out of the Latrobe Valley's coal-fired power stations will need to ensure that affected workers and communities get the help they deserve instead of being abandoned by large power companies. Examples such as the snap closures in Port Augusta show that the foundations of a post-coal future must be put in place today if workers are to thrive through the transition.

The Victorian government should work with unions, employers, and community groups to ensure that retraining is offered well before a plant closes, that early retirement offers are fully funded, that redeployment and retraining options are available, and that community-driven economic renewal plans are in place ahead of time. We recognise that a \$40m fund has been established to aid this transition, but want to emphasise that more will need to be done. This approach can go hand-in-hand with the recommendations on support for community energy projects outlined in this submission.

### 2.8 Summary

To summarise the organisations supporting this submission believe that the policies underpinning the 40% VRET should focus deliver the following outcomes:

- At least 5400MW of renewable energy capacity, the majority of which from large-scale wind and solar.
- A culture and practice change within the large-scale renewables industry towards better community engagement and benefit sharing.
- Jobs for Victoria and renewable industry development along the full supply chain.
- Community renewable energy projects that bring added economic and social benefits to communities and households across Victoria.
- Projects that stimulate and build knowledge and capacity in other parts of the renewables industry that will be essential to a reliable, clean 100% renewable energy system, specifically mid-scale renewables and flexible and dispatchable renewable energy solutions.
- A just transition for communities and affected workers in the Latrobe Valley.

## 3. How should the 40% Victorian Renewable Energy Target be delivered?

In this section we:

- Outline our suggestions on how the primary policy mechanism underpinning the VRET - a reverse auction/contracts for difference program - can best be structured to deliver the outcomes identified above.
- Build a case for complementary policy mechanisms to stimulate the development of a community and mid-scale renewable energy sector, which we believe should be part of the energy mix in delivering the VRET.



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### 3.1 Auction selection criteria

We support the Victorian Government's plan to include non-cost-based selection criteria. In this submission we particularly focus on the proposed economic development and community engagement selection criteria. Further, we particularly focus on wind energy, as that has been identified as the predominant contender in the Scheme.

#### a. Community engagement & benefit sharing

The inclusion of selection criteria for evaluating community engagement and benefit sharing practices is an excellent way to encourage industry best practice and community support for developments. We welcome the inclusion of these criteria. Community Power Agency's experience of being involved in assessing the ACT auctions shows that even a relatively small weighting of 20% for this criteria has encouraged better community engagement and benefit sharing practice within the renewables industry. However, the advancement in community engagement and particularly benefit sharing practices is yet to occur at the scale or depth that Victoria is likely to need, particularly to meet the 40% renewables by 2025 target. As such, we suggest that the Victorian Government may need to take additional actions to encourage strong community engagement and benefit sharing. We suggest:

- A widespread public education and engagement campaign around renewable energy. We encourage the government to support other actors (eg NGOs, schools) to compliment efforts of the renewable energy industry in this endeavour, to build sources of trusted and independent information and advice within communities. Something similar to the NSW government's Regional Clean Energy Program<sup>10</sup> which appointed regional renewable energy advocates may be worth considering or the Community Powerhouses Policy<sup>11</sup> adopted by Federal Labor<sup>12</sup>, which develops clean energy community hubs (similar to the Moreland Energy Foundation) in regions across the state. Such initiatives could also play a role in brokering relationships between renewable energy developers and communities, as well as with organisations with specialist community energy engagement skills.
- Weighting community engagement and benefit sharing criteria for at least 20% of the auction scoring.
- Setting clear minimum expectations for community engagement and benefit sharing (e.g. presence of a community benefit fund, community consultative committee, neighbourhood benefit plan).
- Setting clear expectations of further community engagement and benefit sharing arrangements that would be viewed favorably (e.g. presence of community co-investment or co-ownership, opportunities for community deliberation, education partnerships, etc.)

In addition, we would request that the community engagement criteria not be listed last or have the lowest weighting, as it could thus be perceived as being least important.

From our experience in being involved with the ACT process, we believe the following are important features of the design of the community engagement and benefit sharing criteria and judging:

- Evaluation criteria should include:
  - The diversity and regularity of engagement activities (e.g. across project phases, including one-way and two-way communication);

<sup>10</sup> <http://www.environment.nsw.gov.au/communities/clean-energy.htm>

<sup>11</sup> <https://d3n8a8pro7vhmx.cloudfront.net/solarcitizens/pages/1211/attachments/original/1461219971/Community Powerhouses Policy - Homegrown Power Plan.pdf?1461219971>

<sup>12</sup> [www.laborclimatechangeactionplan.org.au/renewable\\_energy\\_economy?\\_ga=1.219830745.1777121443.1472642032](http://www.laborclimatechangeactionplan.org.au/renewable_energy_economy?_ga=1.219830745.1777121443.1472642032)



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- Depth of benefit sharing proposed (e.g. co-investment, co-ownership, grant funds);
- Contributions to general education and awareness raising (e.g. tours, events, scholarships, school programs);
- Evidence of support in the community (e.g. letters of support, partnerships; survey outcomes);
- Evidence of community deliberation / input into decisions (e.g. effective community consultative committee, neighbourhood meetings, workshops);
- Partnerships with local organisations and business (e.g. suppliers, conservations groups, aboriginal groups, etc);
- Evidence of responsiveness (e.g. changed in micro-siting or design of the wind farm or operation of the grant fund, etc.)
- The review panel should include someone who is a leader in community engagement specialising in renewable energy engagement.
- The application format should require a level of consistency of information across applications, including contextual information about the location of the development (eg. closest settlement, number and distance to nearest dwellings, type of surrounding land use) and the design features of the overall project (eg. total number of turbines, size of turbines, location relative to landscape features and houses), as well as community engagement and benefit sharing reports and plans (covering both what has been done and what is planned in the future).
- The submitted Community Engagement Plan (CEP) and Benefit Sharing Plan (BSP) should form part of the contract for the award of the tariff and a follow up process should be put in place that requires successful companies to acquit their activities at workable intervals
- The review process should allow for the ability to provide recommendations for additional actions to consider including the CEP and BSP
- To help drive practice and culture change, the review process should provide feedback to all applicants and provide them with a ranking of how they performed relative to the cohort.

For more detail, please refer to: Lane, T. and Hicks, J. 2014. 'Best Practice Community Engagement in Wind Development'. ACT Government Environment and Planning Directorate. Available [www.cpagency.org.au/resources](http://www.cpagency.org.au/resources).

### **b. Economic Development/Local Content**

We welcome the inclusion of this criterion in the reverse auction as it will help to direct greater benefit from renewable energy development to the Victorian community. Unfortunately, in the past, renewable energy support mechanisms have not been stable enough to foster the industry security needed to invest in whole of supply chain development for renewable energy. The closure of wind turbine mast manufacturing at Portland is one example of the negative impacts of volatility in renewable energy markets and policy environments in Australia. We hope the VRET is able to go some way to reversing this trend.

### **3.2 Carve-out – flexible and dispatchable renewables**

The Victorian Government has already indicated in the Consultation Paper that they are planning to have a carve-out of the 5400MW for large-scale solar. We highly recommend that the Victorian Government include an additional carve-out of approximately 5% of the VRET dedicated to delivering flexible and dispatchable renewable energy solutions, which could also include storage and flexible demand solutions.

As outlined in the Homegrown Power Plan, a dedicated auction round could be undertaken by the Victorian Government with specific selection criteria designed to deliver renewable energy and storage technologies that provide important energy system support, such as flexibility or dispatchability, to the locations that need it. With the support of AEMO, it should be possible to design the auctions to



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specify what outcomes are needed (dispatchability, voltage control and so on) without being prescriptive about technology.

### 3.3 Carve out – community renewable energy

To stimulate the development of community renewable energy in Victoria (as outlined in Section 2 above), we recommend that the Victorian Government include an additional carve-out of 5-10% of the 5400MW to be delivered by community energy projects by 2025. This community energy target could also be additional to the 5400MW target.

In 2011, Scotland introduced a 500MW by 2020 community energy target.<sup>13</sup> By setting this target, the Scottish Government focused policy attention and effort on developing the community energy sector. This target was achieved five years ahead of schedule in 2015.<sup>14</sup> There are some significant similarities between Victoria and Scotland - both have played a leadership role, both are sub-national governments and both have a similar population size.

We urge the Victorian Government to follow in Scotland's footsteps and set an ambitious, but achievable community energy target and support the community energy sector to contribute to Victoria's growth of renewable energy capacity. With at least 27 community energy groups in Victoria and more setting up regularly, there is significant community enthusiasm, passion, time and effort that - with the right policy support - can be unleashed to help deliver a range of Victorian Government priority policy outcomes, including the VRET. However, as we discuss in the following section, achieving a dedicated community energy target or carve out is likely to require a complementary policy mechanism to the reverse auction mechanism outlined in the Consultation Paper.

### 3.4 Developing special measures to support community and mid-scale renewables

We understand that reverse auctions using a contract for difference mechanism are an extremely efficient and cost effective way of deploying large-scale renewable energy. This has been shown both in Australian and internationally through the delivery of record-low renewable energy prices. As such, it is likely that reverse auctions will offer a successful mechanism in the policy suite to deliver Victoria's Renewable Energy Target. However, we alert the government to the need to consider the nature of community energy, small business and agricultural/farm-scale renewables projects and to assess if reverse auctions are best able to support this form of development. Further, we alert the government to the challenges that have arisen in other countries when reverse auctions are used as the sole policy mechanism rather than as part of a well-balanced policy package.

We have misgivings about the trend away from mass-market renewable energy policies, such as certificate schemes (such as the federal RET) and Feed-in Tariffs, to tender based policies such as Reverse Auctions and tenders for fixed Feed-in tariffs (for example the ACT community solar process) or Rebates (for example the ACT battery storage tender) for the following reasons.

Mass-market policies particularly in Europe and Australia have enabled a wide-range of actors to participate in and benefit from the deployment of renewables including but not limited to small and large business, communities, local government, property developers, farmers and households. Indeed, it is the participation of these actors that lead to the essential success factors of wide-scale, active public support for and rapid uptake of renewables.

Stable, long-term mass market policies also have the added benefit of creating conditions to encourage the development of whole of supply chain participation, increasing the likelihood of higher

<sup>13</sup> [www.gov.scot/Publications/2011/08/04110353/5](http://www.gov.scot/Publications/2011/08/04110353/5)

<sup>14</sup> <http://news.scotland.gov.uk/news/community-renewables-meets-target-early-1df6.aspx>



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regional (or at least Australian) content in renewable energy development. This, of course, has added economic multiplier effects in regional and national economies.

Participating in government tender processes, and winning, requires significant expertise and access to large reserves of capital, which acts to consolidate the deployment of renewables in the hands of large, specialist renewable energy developers. Hence, it is questionable if reverse auctions can successfully support community energy.

Experience from Germany indicates that the government tender approach of an auction scheme gives advantage to larger market players over community projects. The original German Renewable Energy Act enabled significant actor diversity in renewable energy deployment, due to priority grid access and premium feed in tariff mechanisms. In 2015, amendments to the Act shifted the premium feed in tariff scheme to an auction scheme. Several pilot auction rounds for solar farms have shown that in this process smaller players such as community energy groups are losing out as they are not able to compete against larger companies and are marginalised in the bidding process. A study by the World Wind Energy Association (2016)<sup>15</sup> found that community wind representatives had a very negative perception of the policy changes and already observed a stagnation in the growth of community energy projects. In particular, the complex planning procedures, higher costs and a significant increase in the economic risk were considered as main barriers for smaller projects. Hence there is a consensus among the majority of media commentators, NGOs and community sector representative<sup>16</sup> that the policy amendments put at risk the diversity of renewable energy actors in Germany and institutionally disadvantage community energy projects.

Closer to home, the experience of the ACT Government's Community Solar Initiative is also important to consider. Given the fact that this scheme is ongoing, we have pulled out the lessons into an appendix that we request remain confidential (see Appendix B).

Finally, participating in a government tender process adds cost to a project, while for large projects, this additional cost is offset and minor compared to the benefits, such as lower cost of finance. However, this would unlikely be the case for mid-scale and community renewable energy projects.

### Policy principles

While there is no doubt that renewable energy developers will deliver the majority of renewable energy, it is important not to exclude other market participants. Auction processes are inherently linked to picking winners and do not create a market for renewables independent from government coordination. It is important that the reverse auctions continue to work alongside other policy mechanisms that provides a price signals to non-government actors to coordinate the delivery of renewables projects. Locking out other actors by not having complementary policy mechanisms, we

<sup>15</sup> BundesVerband Windenergie. 2016. Neue Studie zeigt: Bürgerenergie durch Ausschreibungen bedroht. Link: <https://www.wind-energie.de/presse/meldungen/2016/neue-studie-zeigt-buergerenergie-durch-ausschreibungen-bedroht>

<sup>16</sup> For example: Buendnis Buengerenergie e.V. 2015. EEG-Reform und Ausschreibungen. Link: <https://www.buendnis-buengerenergie.de/weiterdenken/eeg-reform/>; Janzing, Bernward. 2016. Politik grätscht dazwischen. TAZ Media Website. Link: <http://www.taz.de/Buergerprojekte-in-Deutschland/!5215336/>; Keiffenheim, Marcel. 2015. Kommentar: „Regelungen für bedrohte Bürgerenergie grenzen an unterlassene Hilfeleistung. Greenpeace Energy Germany. Link: <http://blog.greenpeace-energy.de/themen/buergerenergie/eeg-regelungen-fuer-bedrohte-buergerenergie-grenzen-an-unterlassene-hilfeleistung/>; BÜNDNIS 90/DIE GRÜNEN. 2016. Rote Karte für die EEG-Reform – Windenergie retten, Bürgerenergie stärken. Link: <http://www.gruene.de/presse/2016/rote-karte-fuer-die-eeg-reform-windenergie-retten-buergerenergie-staerken.html>





suggest would be a mistake. Indeed, doing so is likely to see an even greater demise of the local solar installer and small businesses involved in the renewable energy supply chain.

To this end, we propose that the Victorian Government work with the community energy sector to collaboratively design a policy mechanism complementary to the auction process to deliver the 5-10% carve-out for community energy. This policy mechanism should:

- Encourage collaboration;
- Be simple to administer, with clear objective success criteria;
- Minimise political risk through not requiring ministerial or departmental sign-off on every eligible project;
- Enable projects over a broad range of sizes;
- Be tailored to value and deliver the multiple benefits associated with community energy particularly the social benefits, in addition to environmental, technical and economic benefits.

A straightforward community feed-in tariff, perhaps capped annually, with eligibility requirements could deliver this. Though there may be a more appropriate policy design and would be happy to help in its development.

## More Information

For more information about any of the ideas or points raised in this submission please contact Community Power Agency Founding Directors Nicky Ison and Jarra Hicks.

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## Appendix A - The Homegrown Power Plan

Please find the Homegrown Power Plan here [www.getup.org.au/campaigns/renewable-energy/homegrown-power-plan/homegrown-power-plan](http://www.getup.org.au/campaigns/renewable-energy/homegrown-power-plan/homegrown-power-plan).

It is also provided in an attachment to the cover email for this submission.



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